103

S. HRG. 103–524

THE REEMPLOYMENT AND TRAINING ACT OF 1994

Y 4. L 11/4: S. HRG. 103-524

The Reemployment Act of 1994, S. Hrg...

HEARING

OF THE

COMMITTEE ON LABOR AND HUMAN RESOURCES UNITED STATES SENATE

ONE HUNDRED THIRD CONGRESS

SECOND SESSION

ON

EXAMINING PROPOSED LEGISLATION TO CONSOLIDATE JOB TRAINING PROGRAMS INTO ONE PROGRAM TO PROVIDE INCENTIVES FOR STATES TO TRAIN WORKERS

MARCH 16, 1994

Printed for the use of the Committee on Labor and Human Resources

REPOSITORY

JUL 21

U.S. GOVERNMENT PRINTING OFFICE

77–670 CC WASHINGTON : 1994

For sale by the U.S. Government Printing Office
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402
ISBN 0-16-044272-9

103

S. HRG. 103–524

THE REEMPLOYMENT AND TRAINING ACT OF 1994

4. L 11/4: S. HRG. 103-524

e Reemployment Act of 1994, S.Hrg...

HEARING

OF THE

COMMITTEE ON LABOR AND HUMAN RESOURCES UNITED STATES SENATE

ONE HUNDRED THIRD CONGRESS

SECOND SESSION

ON

EXAMINING PROPOSED LEGISLATION TO CONSOLIDATE JOB TRAINING PROGRAMS INTO ONE PROGRAM TO PROVIDE INCENTIVES FOR STATES TO TRAIN WORKERS

MARCH 16, 1994

Printed for the use of the Committee on Labor and Human Resources

DEPOSITORY

JUL 21

U.S. GOVERNMENT PRINTING OFFICE

77–670 CC WASHINGTON : 1994

For sale by the U.S. Government Printing Office
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402
ISBN 0-16-044272-9

COMMITTEE ON LABOR AND HUMAN RESOURCES

EDWARD M. KENNEDY, Massachusetts, *Chairman*

CLAIBORNE PELL, Rhode Island
HOWARD M. METZENBAUM, Ohio
CHRISTOPHER J. DODD, Connecticut
PAUL SIMON, Illinois
TOM HARKIN, Iowa
BARBARA A. MIKULSKI, Maryland
JEFF BINGAMAN, New Mexico
PAUL D. WELLSTONE, Minnesota
HARRIS WOFFORD, Pennsylvania

NANCY LANDON KASSEBAUM, Kansas
JAMES M. JEFFORDS, Vermont
DAN COATS, Indiana
JUDD GREGG, New Hampshire
STROM THURMOND, South Carolina
ORRIN G. HATCH, Utah
DAVE DURENBERGER, Minnesota

NICK LITTLEFIELD, *Staff Director and Chief Counsel*
SUSAN K. HATTAN, *Minority Staff Director*

CONTENTS

STATEMENTS

WEDNESDAY, MARCH 16, 1994

	Page
Reich, Hon. Robert B., Secretary, Department of Labor	2
Prepared statement	8
Durenberger, Hon. Dave, a U.S. Senator from the State of Minnesota, prepared statement	15

THE REEMPLOYMENT AND TRAINING ACT OF 1994

WEDNESDAY, MARCH 16, 1994

U. S. SENATE,
COMMITTEE ON LABOR AND HUMAN RESOURCES,
Washington, DC.

The committee met, pursuant to notice, at 2:33 p.m., in room SD–430, Dirksen Senate Office Building, Senator Howard M. Metzenbaum presiding.

Present: Senators Metzenbaum, Dodd, and Durenberger.

OPENING STATEMENT OF SENATOR METZENBAUM

Senator METZENBAUM. Secretary Reich, I am pleased to welcome you to our committee's first hearing on the Reemployment and Training Act of 1994. I have intentionally worn my little button that says "S. 55 Now". I was informed this morning that the President is supportive of the legislation and will help get it passed, and I look forward to working with him and you and anybody else that wants to join the team to pass S. 55.

I think today we direct our attention not to the issue of S. 55 but to the whole question of reemployment and training. I don't have to tell you that we are all proud of the fact that our economy is finally emerging from a long recession, and the President and you and the other members of his team have a right to be very proud of that fact.

In the first year of the Clinton administration, almost two million jobs were created in the private sector. That is encouraging news, but for the eight-and-a-half million workers that are still looking for work, it is of little consolation. No matter how much the economy improves, their old jobs are gone for good, and that is a matter of concern for you and me and for them as well.

Nineteen-ninety-three saw the highest percentage of permanent job loss ever recorded by your Department. Seventy-five percent of all laid-off workers will never return to their former jobs. Permanent layoffs due to increased global competition and overseas plant relocation have long plagued manufacturing workers. Job loss is no longer the exclusive problem of these blue-collar workers. Tens of thousands of white-collar workers have found themselves in the unemployment line, their jobs the casualties of corporate downsizing. Others have lost their jobs to low-cost part-time and temporary workers hired for low wages and no benefits.

American workers need and deserve our help. We have to encourage the creation of high-wage jobs, and we must also help workers make the transition from one job to the next by ensuring that they have the skills employers want.

In the past, we have tried to assist dislocated workers with programs targeted at specific groups affected by trade agreements, defense reductions, and other government actions. Unfortunately, this multiprogram approach has left too many workers out in the cold. Dislocated worker programs serve approximately 600,000 workers each year, but that is only about a third of the dislocated worker population.

When workers come to their government for help, they are confronted with a confusing maze of forms, eligibility requirements, and lengthy processing periods. The assistance available to these workers is often inadequate. Local program officers lack the necessary information to help workers make informed decisions about career and training choices, and they lack the funding to enable workers to retrain.

Budget cuts in dislocated worker programs during the 1980s have left the dislocated worker program a well-intentioned but mostly unfilled promise. The Reemployment and Training Act is a good and important first step toward fulfilling that promise. I am so pleased to have an opportunity to work with you in attempting to revitalize our dislocated worker program.

The floor is yours.

STATEMENT OF HON. ROBERT B. REICH, U.S. SECRETARY OF LABOR, WASHINGTON, DC

Secretary REICH. Thank you, Mr. Chairman. First, I want to thank you personally for all the work you have done for American workers, for all the work you have done over the years in making sure they have better futures.

I also want to thank this committee on Goals 2000, School to Work, skills standards, and all of the other issues that are, even now, occupying much of the committee and are very dear to this administration's heart.

Let me sketch for you, briefly, the nature of the problem, because it is not a problem of a sort that we have had before in this country.

I just returned from Detroit, where I met with many other G-7 ministers. The words kept on recurring, structural unemployment, structural unemployment. What does structural unemployment mean? It means that increasing numbers of workers are having difficult times getting the next job. They have to leave their old jobs. As you just said, the old jobs are not coming back.

We used to have in this country the word "layoff". We knew what that meant. It meant you were off the job temporarily. We had an unemployment insurance system that was appropriate, and then you got back on the job at the end of a recession, typically. But that is no longer the case.

If you will permit me to provide my testimony for the record and simply summarize my testimony, and also permit me to go over those charts.

Senator METZENBAUM. Your entire prepared testimony will be included in the record.

Secretary REICH. I will make this relatively brief, but I did want to just quickly go over this, and these charts will also be inserted into the record.

Senator METZENBAUM. That is fine.

Secretary REICH. You can see a big contrast. This is the average four prior recessions. About 44 percent of people who lost their job were on layoff, expecting recall. Only 56 percent had lost their job permanently.

But look at this past recession. Only 14 percent were on layoff, appropriately expecting to get their old job back again. Eighty-six percent would lose their jobs permanently.

You see, we are seeing, even at this stage of the recovery, unprecedented levels of job change. Corporations are downsizing. In fact, over the last couple of months, we have seen more downsizing and more loss of jobs from big corporations than we saw even during the recession, and that continues.

It is not just corporate downsizing, it is also defense downsizing. It is necessary. We are at the end of the Cold War. We have to reduce the defense sector. But defense downsizing plus the restructuring of American corporations means that many Americans in unprecedented numbers have got to find new jobs. Many of them are caught between jobs.

On top of those two phenomena, we find technological changes at an ever great pace. We used to have a lot of telephone operators and bank tellers. Now we have automated switching equipment and automated teller machines. You find in almost every area of my part of the country, we used to have a lot of mainframe computer manufacturers. The mainframe computers are now, by and large, a thing of the past. Many of those workers have had to find new jobs.

On top of those three phenomena, we have international trade, which is a good thing. International trade is good for America. Those export jobs are 17 to 20 percent better in terms of their pay than regular jobs. But, international trade means that people often have got to change jobs. They have to be prepared for those new jobs, those new good export jobs.

Put all that together, and even though the economy is recovering, it means that people in unprecedented numbers have got to get new jobs.

Recent surveys, a couple of days ago, a New York Times national survey showed that 40 percent of Americans worry that they are going to lose their next job within the next 2 years. Unprecedented numbers are caught between jobs.

Take a look at this chart. This shows the earnings of displaced workers one to 3 years after they have lost their old job. This is the latest data we have, and it shows what is happening to workers who lose their job. Over 60 percent of workers who lose their job end up earning less than their prior earnings, if they are lucky enough to get a new job. And 27 percent of them, even a year later, still do not have a new job.

In other words, more and more American workers are on a downward escalator. They are not getting the new job, or if they are get-

ting a new job, it doesn't pay as well. We simply don't have a system to guide us through these technological changes.

This is not a map of the Washington, DC subway system. This is the system we now have. This is a system for dealing with unemployed workers and helping them get new jobs. In fact, to call it a system, Senator, dignifies what it is. It is not a system, it is a nonsystem. It is something that has grown up piecemeal over the years.

Let me take a moment and explain. We have a large unemployment insurance pool designed to tide people over until they get the old job back. But as more and more Americans get stranded between jobs, that unemployment insurance pool is less and less adequate. More and more workers simply run out of unemployment insurance money.

Last year, the United States Congress authorized an additional—in fact, the taxpayers spent $14 billion in addition to the $22 billion in regular unemployment insurance on extended emergency unemployment insurance—$36 billion last year alone, for 1 year, 1993, paid by American taxpayers and American businesses.

Did they help get Americans new jobs, provide job search assistance, provide job counseling, provide information, provide training? No. That money went to keeping people intact as they waited for their old job to come back—$36 billion. The year before, it was $34 billion. It is an expensive proposition.

And we have also a disparate number of little job training programs.

Senator METZENBAUM. Did we get anything for the $36 billion, other than the fact that we were able to see that those people were able to be fed and clothed and housed on a regular basis? Other than that, are there any side benefits that you see?

Secretary REICH. Feeding and clothing and housing unemployed workers is a major, major benefit.

Senator METZENBAUM. Of course.

Secretary REICH. But the point that I wanted to make is that we did not help them. For all of that $36 billion—this is not a small amount of money in 1 year—we didn't help them get the next job. This has nothing to do with training or job search assistance or information or job banks or anything. This is just simply unemployment and extended unemployment, emergency extended unemployment insurance.

At the G-7 jobs summit, we traded information about how to make our market more resilient. The American labor market, by the way, is the most resilient in the world. It is flexible, and that is one of its great strengths. But that flexibility is being tested now.

We have this huge unemployment insurance system and then we have a scatter shot of these training programs, little training programs, each one for a particular category of workers, each category assumed to be an exception to the general rule that you get your old job back.

For instance, there is a group of Clean Air Act workers who have been displaced because of the Clean Air Act. Redwood forest workers, displaced because of environmental protection. There is a group of defense workers who are displaced because of defense.

There is a trade adjustment program for workers displaced because of trade. There is a separate program for this and for this and for this, but most Americans fall through the cracks. Most Americans do not have access, and we spend a lot of money and time and effort trying to figure out who is eligible for which of these little programs. It doesn't work.

Meanwhile, look at what you have to traverse. In fact, the next chart shows a typical journey right now through this maze by a typical American. This is an American who, let us use a test case, a 38-year-old, a veteran, unemployed for more than 6 months, dislocated from a job because of defense downsizing, corporate downsizing, whatever have you, and has a family of three.

He first reports to the unemployment office. He has to usually wait in line. He has an interview, an application, verifications, is he unemployed. And then the unemployment office may send him or her to the welfare department for interview, applications, and verifications to see if they qualify for welfare, or might send to the employment office for interview, applications, and verifications to get a little bit of help with the want ads.

Then he might be sent to the jobs program, which is for welfare recipients to help them get training, but on the other hand, may go to the Job Training Partnership Act intake. At both places, there is an interview, an application, and a verification. There may be a referral to the employment office counselor at another location, where there is an interview, application, and testing.

On the other hand, there may be a referral to the veterans employment office if it is a veteran, where you have another interview, application, and verification, or to a JTPA assessment location where there is, guess what, an interview and then testing and an employment plan and application.

Where you end up at the end of all of these, eight application forms, eight interviews, five verifications, a lot of standing in line, where do you end up? You may, if you are lucky, end up in one of these training programs. Most of you won't, because you are going to likely fall through the cracks. You are not going to end up with any information, good information, up-to-date information or job search assistance. You are not helped early on; in fact, quite the contrary. You have probably drawn down a lot of unemployment insurance while you have been waiting in all those lines.

What are we proposing? A far different system, based on the premise that if you have lost your job, anybody who loses a job, anybody, these days needs help finding a new one. Chances are you won't get your old job back again. In fact, the assumption is completely the reverse of the assumption underlying the old unemployment insurance system and then the scatter shot patchwork of training programs.

The new assumption is that you are not going to get your old job back again, and therefore, very early on, as early as possible, we want to get you into reemployment services. It is not just training, it is job search assistance. We want to get you good information about where there are jobs and what skills are required and what training is required to get the skills, and you need consumer reports about what trainers are doing, which trainers are really working and getting people into good jobs and how long they are

going to get them into the good job and what they pay and who, in fact, is going to be worth your while to train with.

One-stop shopping—all dislocated worker programs consolidated into one program, for once place, at one time. One application, one interview, and then giving you all of this assistance early on in your unemployment insurance. By week five, you ought to be assessed. If you are likely to get your old job back, fine. But if you are not likely to get your old job back, you have got to be helped into this system quickly so that you get a new job as fast as possible.

The issue here, fundamentally, is moving people into the next job. New services beyond training, early intervention. One thing we know, Mr. Chairman, and we have found out from experimental data, pilot projects, I have seen it with my own eyes, if you can get people early enough after they have lost a job, you can help them get the new job. If they can get good job search assistance and counseling, if they can get good information about where there are jobs—and there are jobs. People say to me, are there jobs out there? Yes, there are.

I have seen in Hamden, Connecticut, I have seen in St. Louis, I have seen in Baltimore, in East Los Angeles, I have seen all over America there are the beginnings of these kinds of job centers that are consolidating all kinds of resources, treating people as customers, helping them get the next job, putting them into training programs that are linked to real, real jobs.

But they are few and far between, and it is not because the United States Government has encouraged it. In fact, they are existing despite what the United States Government is doing. The United States Government actually makes it difficult. We want to make it easy to set these things up.

Extended benefits should be provided beyond regular 26 weeks of unemployment insurance only for those who are actually in training by week 16. If you are in training by week 16, if there is an assessment made that you need training and you need the extended benefit for that training, fine, then you should get that extended benefit.

You need good and accurate information about what it is that trainers are provided. There is nothing worse than being trained for a job that doesn't exist. So again, feedback mechanisms, accountability standards.

And finally, for States that want to be even more ambitious, and we are going to create incentives for States to be more ambitious because there is additional money for them if they want to be more ambitious, we want States to set up universal one-stop centers, one-stop centers that are dealing not just with dislocated workers, but this one-stop career center which could be helpful to anyone who needs a job—vocational assistance, education assistance. If they need information about availability of Pell grants.

In fact, hopefully, Mr. Chairman and members of the committee, hopefully even welfare recipients who need help getting back into work, and we are working right now on that project, they can also use these one-stop career centers, because they need the same information and guidance and job search assistance, and they often need similar kinds of training.

What is the cost of all of this? The President is asking and has asked in his budget in a five-year window for a total of $13 billion, $11 billion of which would be on the discretionary side, and he has cut elsewhere in the budget to make room for that $11 billion. That $11 billion comes from cuts elsewhere. It is within the cap on discretionary spending. The $2 billion on the mandatory side would be for extended benefits. It would gradually increase up until 1999, after which point there would be, on the mandatory side, a little over $1 billion a year.

I want to make sure you and members of this committee understand the context. Last year, as I said before, we spent $14 billion of the taxpayers' money on extended benefits without anything to show in terms of training. What the President is proposing is, beginning in 1999, a little over $1 billion a year for extended benefits linked only to people who are in training and have started training while they are in unemployment insurance by week 14, a much more targeted approach.

Where would this money come from, with regard to the $1 billion on the mandatory side? Since 1977, American business has been paying a little surtax in unemployment insurance, two-tenths of one percent, amounting to $14 a year per worker. Has that little surtax since 1977 gone to workers, to unemployment, to training? No. It has been used to offset all kinds of things that we need to offset.

Our hope is that beginning in 1999, we can wall that off, tag it down, use that little $14 a year per worker only and solely for extended benefits, and again, for people who need it to get trained and get the skills they need to be winners in the economy, and business has a strong interest in making that happen.

Again, no increase in taxes for business, because business has been paying that surcharge since 1977. It just hasn't gone to workers or to employment-related activities. We want to take that, beginning in 1999, and dedicate it—it is capped; it would not be open-ended, it is a capped entitlement—beginning in 1999 dedicated to paying the extended benefits for American workers who need it for training.

The principles that I have enunciated, consolidation of the dislocated worker program, so regardless of why you got your job, you get help; one-stop shopping, so you get a lot of different services, not just training but all kinds of income and all kinds of support; job-search assistance, good information, good feedback, consumer reports on what works and doesn't work in terms of training, accountability standards; and then a more ambitious one-stop approach for States that wanted to embark upon that that would go even farther beyond dislocated workers.

These principles and this proposal itself, it seems to me is absolutely necessary if Americans are going to embrace the future without fear and accept international trade and corporate downsizing and technological change and all of the things that are now facing Americans in a new world economy.

Thank you, Mr. Chairman and members of the committee. I will be happy to answer any questions.

[The prepared statement of Secretary Reich follows:]

PREPARED STATEMENT OF SECRETARY ROBERT B. REICH

Chairman Kennedy, Senator Kassebaum, and distinguished members of the committee, I am proud to have the opportunity today to put before you President Clinton's proposed Reemployment Act of 1994, and to explain the role of this Act in equipping all Americans to prosper in the new economy.

In many ways, the economic picture is clearly improving. Production has surged in recent quarters. Two million jobs have been created in the past thirteen months—1.9 million in the private sector. Accompanying this job growth has been a significant decline in unemployment. And thanks to the discipline and determination of you in Congress, as well as President Clinton's commitment to fiscal responsibility, we have finally begun to regain control of our financial destiny. Next year's deficit has been reduced by forty percent, and future deficits have been firmly set on a downward path.

But recovery is not enough; Budgetary discipline, macroeconomic improvement, production increases, and job growth are all critical elements of national prosperity. But without a workforce strategy explicitly geared to preparing all Americans for productive, rewarding work, we risk leaving some of our fellow citizens behind as the economy moves ahead. And this we cannot, and need not, accept.

Long-term Joblessness and the Skills Gap

The welcome decline in overall joblessness masks a continuing problem of long-term unemployment. Despite the recovery, in 1993 the average duration of unemployment nearly equalled its postwar peak. Only fourteen percent of the workers who lost their jobs in the most recent recession expected to be called back. The rest recognized that their old job was gone for good—the highest percentage of permanent job loss ever recorded.

Permanent job loss and long-term unemployment—especially against a backdrop of recovery—are symptoms of structural change in the economy. The main thrust of this structural change involves the increasing importance of skills, a shift in favor of workers with high-level skills and against those without them. More than ever, what you earn depends on what you learn. If you have the skills that come with a college degree, an associate degree, an apprenticeship certificate, training provided by an employer, or other education beyond high school, your odds for finding a job paying a middle-class wage are good.

Meanwhile, unskilled workers, or those whose skills have become obsolete, find their options shrinking as the old economy of stable mass production and unchallenged American economic preeminence disappears. The days when a worker could walk to the factory gates right out of high school and claim a lifetime middle-class job are fading into history. For both men and women, and at every level of educational attainment—college degree, some college, high school graduate, high school dropout—the earnings gap between the skilled and the unskilled is widening. A typical college graduate, for example, earns seventy percent more than a worker with similar demographic characteristics, but who only has a high-school diploma. Comparable trends apply for the risk of unemployment, and for access to pensions and other benefits: Those with skills do well; those without them are increasingly vulnerable.

While traditional paths to the middle class for workers without college degrees appear to be narrowing, new routes are opening—sometimes even in the same industries. For example, auto plants are beginning to hire again after years of layoffs. But rather than tapping the unskilled and semiskilled workers who once filled entry-level jobs tending the assembly lines, the auto companies are turning to better educated workers. They must. Because the increasing sophistication of production technology and the-flattening of the management hierarchy mean that production workers are required to take initiative, make decisions, and exercise discretion. The old distinctions between manager and managed are breaking down. Overall, this is a hopeful development for America. It offers the prospect of less drudgery and routine, more opportunity for all Americans to work with dignity and to develop their potential. But it also means that workplace skills become the ticket of entry into a wider range of careers, including those that used to be open to the unskilled.

About a third of recent production-line workers hired at Ford, for example, had some training beyond high school. (Ninety-seven percent of Ford's recent hires hold high-school degrees ; compared to only eighty percent of its overall workforce.) Elsewhere in Detroit, a city still plagued by staggering levels of long-term joblessness, nearly a thousand precision-machining graduates of the Machinist Training Institute have found jobs with local businesses. Across the country in San Jose, CA, where workers with obsolete skills are suffering from relentless waves of layoffs, the Center for Employment Training provides intensive skills training, coupled with basic education, to disadvantaged clients and dislocated workers. Companies like

San Jose's Touche Manufacturing, which builds computer shells, hire as many of the Center's graduates as they can get.

In industry after industry, managers recognize the importance of high-level skills: The Business Roundtable has adopted as one of its guiding principles the precept that investment in workforce training is an urgent priority for U.S. competitiveness, and that America must be as "willing to invest in upgrading people as we are in upgrading machinery."[1] While ultimately each American has to take responsibility for his or her own economic destiny, we must bolster our individual efforts with a national response to the challenge of economic change, and business and government each has its role to play in forging that response.

Americans are used to economic challenges. Less than a century ago, for example, we mastered the move from the farm to the factory. Today, many Americans confront the challenge of moving from the factory to the computer workstation. I have no doubt that today's Americans are as determined and resilient as their predecessors four generations ago.

What is different today, however, is the scale and speed of economic change. Global competition, defense downsizing, technological advances, and corporate restructuring are combining to produce new levels of anxiety about job security. In the first two months of this year, large companies announced plans to eliminate more than 140,000 jobs, to set a record-breaking pace of corporate downsizing. And last week, a New York Times poll revealed that nearly four out of ten employed Americans fear that they might be laid off, or forced to take a pay cut or reduced hours, within the next two years. No segment of American society is immune to job anxieties, and industrial upheavals affect top-executives, mid-level managers, and frontline workers alike. But those hardest-hit by economic change, and those who stand to benefit most from a more effective reemployment system, are the most vulnerable members of our economic community—women, minorities, and the unskilled. African-Americans and Hispanic Americans face higher-than-average risks of dislocation, and over one-fifth of the workers displaced from jobs in 1990 and 1991 came from families living below the poverty line.

Government policy and programs must recognize and reflect these new realities. We must not offer Americans the false hope of burrowing into a single job for life. Instead, we must equip them to find security through the skills and flexibility that will let them face a changing economy with confidence.

The widening gap between the winners and losers from economic change is neither inevitable nor unbridgeable. Because even amidst long-term unemployment and job anxiety, the new economy is generating a strong, steady demand for workers with high-level skills. And workers are not born skilled. They earn their skills, and they earn-them through processes that policy can affect and improve. The Reemployment Act of 1994 reflects a recognition of this fact, and a commitment to make government play its role, responsibly and efficiently, in equipping the American workforce to succeed in the-skill-based modern economy.

The Reemployment Act's Key Principles

Our current array of unemployment programs was designed in an earlier time, to meet the needs of a simpler economy. The system must be fundamentally reshaped to meet the very different requirements of today's workers facing today's, challenges. It must be transformed from an unemployment system to a reemployment system.

The Reemployment Act of 1994 is meant to accomplish this transformation. Once it is fully implemented, it will serve about 1.3 million dislocated workers each year—the full population estimated to want and need reemployment services. (Today's dislocated worker programs reach fewer than 400 thousand workers.) The Act's design is based on a rigorous assessment of what workers need to prosper in today's changing economy, and on systematic study of what works for getting them into new and better jobs. The Reemployment Act reflects four core principles:

1. First is universal access and program consolidation. The current patchwork of programs for dislocated workers is inefficient, confusing, and frequently unfair. The Reemployment Act will immediately consolidate all major dislocated worker programs into an integrated service system geared to deliver what workers need to get their next job, regardless of why they lost their last job. Six programs, including Economic Dislocation and Worker Adjustment Assistance (EDWAA); Trade Adjustment Assistance (TAA); NAFTA Transitional Adjustment Assistance; the Defense Conversion Adjustment Program; the Clean Air Employment Transition Assistance Program; and the Defense Diversification Program—will be folded into a single program with uniform eligibility standards and streamlined delivery.

[1] Workforce Training and Development for U.S. Competitiveness, August 1993.

Instead of forcing customers to waste their time and try their patience going from office to office, the new system will require States to provide services for dislocated workers through career centers. It also allows States to compete for funds to develop a more comprehensive network of one-stop career centers to serve under one roof anyone who needs help getting a first job, new job, or better job, and to streamline access to a wide range of job training and employment programs.

The immediate move to consolidated service for dislocated workers will ease the frustration they suffer with the current system and accelerate their progress to reemployment. The gradual creation of universal one-stop career centers, as States opt into the system, will have even more pro found consequences. It will counteract past tendencies to create wholly different services and access channels for different sets of workers—often segregating the disadvantaged into separate service delivery systems—and encourage moves toward mainstream programs serving all citizens. It will reinforce the incentives for streamlining and consolidation set up by other provisions of the Act. And it will offer new opportunities for innovation, experimentation, customer orientation, and service excellence.

One-stop service—coupled with new authority to waive rules and regulations that block innovation and impede efficiency—creates a sturdy framework for building more and more customer-level consolidation into America's employment and training system. As the one-stop component of the Reemployment Act is implemented state by state, it will catalyze continual progress toward less duplication and overlap, simpler rules, leaner administration, lower overhead, less bureaucracy, and more efficiency.

2. The second principle is customer focus, giving workers a range of options and letting them choose the services they need to get the next job. The system the Act establishes offers a rich array of alternative services, to meet the needs of a diverse workforce in a complex economy. Once the Act is fully implemented for dislocated workers' in fiscal year 2000, we estimate that about eight percent of its resources will be devoted to worker counseling and assessment; about twenty percent to job-search assistance; about eight percent to pay for supportive services; about thirty-six percent for training; and about twenty-eight percent for income support for workers whose reemployment plans indicate that long-term training is needed.

Most dislocated workers want and need only information and some basic help in assessing their skills and conducting their job search. These services are relatively inexpensive, and have been shown to pay off immediately in less time spent unemployed. Research and pilot projects have demonstrated bat basic reemployment services are excellent workforce investments, for the worker, for employers, and for the taxpayer. These basic reemployment services help dislocated workers do what they want to do—get back to work. The Reemployment Act will ensure that these services are delivered early, when they can do the most good, and are targeted on workers best able to benefit from them.

Better information is what makes the Act's customer focus meaningful. Too often, workers must look for a new job without enough data, or with the dubious guide of outdated or low-quality information. The difficulty of gaining a complete picture of labor market conditions and trends can make job prospects seem misleadingly bleak, and cause workers to miss opportunities to put their skills to use, or to upgrade their earning potential through relatively simple skill investments. The current system where responsibility is scattered through multiple programs, and where there are few incentives or institutions to integrate information—squanders much of the potential of modern information technology.

The Reemployment Act will bring jobs data from the age of the horse and buggy into the age of the information superhighway. It will combine job data systems and expand access to good data on where jobs are and what skills they require. By bringing the nation's workforce information up to modern standards, it will effect a relatively inexpensive improvement with potentially major results.

3. The third principle is market-driven retraining for workers who need it to get their next job. While most dislocated workers need only job-search assistance to find where best to use their skills, some—we estimate about thirty percent—need to learn new skills. Past retraining programs have had limited effect in part because they failed to ensure that workers were trained only for skills in demand; because they had inadequate provision for customer choice and quality control; and because they relied too heavily on short-term training programs that have proven ineffective at changing the prospects of typical dislocated workers. Retraining, for workers who need it, often means a sustained program lasting a year or more.

Training that doesn't lead to a job cheats the worker, the taxpayer, and everyone with a stake in a productive, flexible American economy. The Reemployment Act links training with jobs in three ways. By giving customers choices about where to get their training, it gives suppliers powerful incentives to tailor their curriculums

to labor-market trends and to guarantee results. By building up the nation's labor-market information system and offering all customers access to performance information on training providers and jobs data, it empowers workers and employers to make better decisions, and strengthens the links between training programs and the working world. And by requiring a high-level business majority on the board overseeing local training programs (private-sector representatives must be chief executive officers, plant managers, or business owners), it ensures that market perspectives will shape every aspect of the system.

The Reemployment Act includes provisions for income support for workers who need it to complete their retraining programs. A combination of grants, and where appropriate, student loans will fund training programs. Income support during training will be delivered through the Unemployment Insurance system.

4. The fourth principle, which fortifies the other three, is accountability. The Reemployment Act of 1994 restructures the incentives facing all those who make up the system—public officials, program managers, center operators, service suppliers—to make them treat workers as customers. Those who do right by their customers, who deliver high-quality services leading to positive workforce outcomes, will prosper in the new system. Those who fail to do so will see their funding dry up.

Accountability means devoting resources to what works, and getting rid of what doesn't work. It means streamlining and consolidating wherever possible, so that workers don't need to spend their time navigating administrative mazes, and so that tax-payers don't need to support unproductive bureaucracies.

Accountability is a universal principle. But the principle of accountability must be realized differently in different settings. The Reemployment Act avoids the error of mandating a single approach to accountability to fit a complex and diverse nation. Instead, it seeks to ensure that no part of the system is exempt from the imperative to deliver value to customers, while leaving room for local experimentation and diversity in serving that imperative. It requires funding decisions to be divorced from program delivery; so that conflicts of interest do not erode accountability. It, allows States and localities to create competitive systems with multiple suppliers, if that approach to accountability fits their circumstances. But it also allows States and localities which have developed collaborative approaches to accountability to continue down that path, so long as customers are well-served. The Reemployment Act neither specifies nor bars particular models for service delivery, but puts the emphasis on results.

And accountability, finally, means budgetary discipline. The Act is designed with a keen awareness of fiscal limits. Of the total $13 billion in 5-year costs, about $5.6 billion represents a net increase in the baseline program from FY 95 through FY 99, and the total fits within the caps on discretionary spending. A large part of the discretionary financing comes from consolidating separate dislocated worker training programs into this integrated system. Additional discretionary funds come from reductions in other Federal programs. The mandatory component is financed by offsets from consolidation, and by extending and rededicating Federal Unemployment Insurance revenues to income support to individuals participating in job training. This component is the only non-discretionary spending in the Reemployment Act, and it is firmly capped in the legislation.

An Overview of the Reemployment Act

Title I of the Reemployment Act establishes a comprehensive program for dislocated workers, regardless of the cause of dislocation. It consolidates the six current Labor Department dislocated-worker programs into a single integrated system. Outreach efforts, including State rapid response programs and stepped-up efforts to identify early on workers at risk of long-term joblessness, will improve the deployment of program resources. This title requires local programs to organize Career Centers for dislocated workers, and specifies the range of reemployment services the Centers will deliver or arrange. Career Centers may be run by the Employment Service, the Job Training Partnership Act administrative entities, community colleges, vocational schools, community-based organizations, or other non-profit or for-profit organizations which can demonstrate the capacity to deliver.

Title I also outlines the requirements for high quality training, and sets up systems of performance standards and information to ensure the accountability of training providers and to inform customer choices. Finally, it includes provisions for governors to devote a portion of State reserve funds to skill-upgrading programs aimed at job retention, and for the Secretary of Labor to manage a national discretionary grant program.

Title II establishes a Program of income support, delivered through the Unemployment Insurance system, for permanently dislocated workers while they are pursuing courses of retraining. It also specifies the funding source for that income sup-

port, and ensures that once the system is fully implemented retraining income support will not be subject to the annual appropriations process. At the same time, it puts effective caps on income support spending. And it adds adaptability to the whole system by giving states new options on unemployment insurance, including letting them pay "reemployment bonuses" to workers who find new jobs quickly, "short-time" insurance to promote alternatives to layoffs, and self-employment assistance to encourage entrepreneurial efforts by jobless-workers.

Title III establishes a national program of grants and waivers to encourage and enable States to develop networks of One-Stop Career Centers. These Centers, which substantially extend the one-stop approach of Title I, offer a common point of access to employment, education, and training information and services for employers, and for all citizens who need help getting their first job, a new job, or a better job. Local Workforce Investment Boards will be selected by local elected officials to serve as the "board of directors" for all workforce programs. These Boards will have high-level business representatives comprising their majorities, but will also have balanced representation of labor, education, and other community groups. The Private Industry—Councils set up under JTPA may become Workforce Investment Boards, but only if they meet all the new requirements.

The One-Stop Career Centers may be run by a consortium of organizations, including the Employment Service, the State UI agency, and agencies administering JTPA Title II and the dislocated worker program authorized under Title I of the Reemployment Act. Alternatively, States and localities may opt for a competitive approach under which the Employment Service and other organizations are chartered to run One-Stop Career Centers. Under either option, these One-Stop Career centers will be required to meet customer-oriented performance measures, and will be evaluated annually.

One-Stop Career Centers will provide basic services to anyone who needs help getting a job, and will provide more intensive services to dislocated workers as well as other clients as appropriate. They will also coordinate and integrate the delivery including not just of dislocated worker programs and the Wagner-Peyser Act but also Title II of JTPA, veterans' employment and training programs, the Senior Community-Service Employment program under Title V of the Older Americans Act, and programs authorized under a range of Federal and State Unemployment Insurance laws. The Centers may also integrate other programs such as JOBS, the Job Corps, and adult and vocational education.

Under Title III, States may apply for both planning and implementation grants to build one-stop networks, and can also request waivers of a range of statutory and regulatory requirements for specific Labor Department programs, when such requirements unnecessarily constrain the development of innovative, integrated State workforce strategies.

Finally, Title III requires participating States to establish Human Resource Investment Councils to advise Governors on the coordination and consolidation of all workforce programs and policies. It also requires local Workforce Investment Boards, local elected officials, One-Stop Career Center operators, and participating programs—along with the Governor—to enter into an operating agreement to govern the onestop networks, and requires State-level "customer service compacts" to set a framework for accountability throughout the system.

Title IV establishes a National Labor Market Information system to provide universal access to timely, accurate, and comprehensive information about where the jobs are, the skills and experience needed to secure and perform good jobs, the location and performance of training programs, and other workforce data. The system will also provide employers with information on job candidates, and will give all clients data on job, career, and skill trends so they can make more informed decisions that will collectively improve the labor market's efficiency.

Title V extends the themes of flexibility and innovation to title II of the Job Training Partnership Act, by giving the Secretary of Labor authority to waive Federal statutes and regulatory requirements to empower States and localities as they seek to refine, streamline, innovate, and integrate job training programs for disadvantaged adults and young people.

The Reemployment Act of 1994 is about giving Americans the tools they need to take control of their own careers. It is inspired by the themes of customer choice, accountability, and universal access. And it is informed by systematic attention to empirical evidence, and a deep commitment to what works. The evidence shows that skills pay off. The evidence shows that skills can be learned. The hard-won experience from decades of economic change, and from too many programs that failed to deliver as they should for workers and taxpayers, shapes the structure of the Reemployment Act. Through respect for the evidence, and through persistence in pursuit of the American tradition of broadly shared middle class prosperity, we can help

prepare Americans to succeed in the skill-based economy taking shape all around us today. There is no excuse for leaving a single person behind.

This concludes my prepared remarks. I would be glad to answer any questions.

Senator METZENBAUM. Thank you very much, Secretary Reich.

I might say that Senator Kennedy and some others wanted to be here, but they are working on finishing Goals 2000 in the education conference, and that has to be finished today in order to meet the budgetary deadline. Don't interpret their failure to be with us as a lack of interest, but it is just a lack of time.

I think we all agree that the most important part of a system, a successful reemployment system, is the creation of new jobs. If you are going to have reemployment, you are going to have to have jobs. New jobs seem to make the most sense.

Let me ask you, what type of jobs are being created today, and are we doing enough to create high-wage jobs?

Secretary REICH. Last year in this country, we created almost two million net new jobs, and I say net new jobs because I want to emphasize that is two million jobs on top of and not withstanding the jobs lost due to corporate downsizing and all the other phenomenon I reflected upon.

It looks like in 1994 we are also going to hit the two million mark. The great American jobs machine is being ignited once again.

The question you raise is a good one. Are these good jobs? About 60 percent of them, a little over 60 percent of them, are managerial, professional, and technical jobs. Most of those managerial and professional jobs are available only to college graduates, but, of course, only 25 percent of our people graduate from college.

What about those technical jobs? The data reveal, and I have seen this around the country, that there is emerging a new class, you might say, of technician worker. These are people who are laboratory technicians, sales and service technicians, factory technicians. These are people who, instead of actually doing the factory work, because I am afraid that unskilled, high-wage factory jobs are, by and large, a thing of the past, but that doesn't mean that people are not needed in the factors. You need people.

In fact, the Big Three are now employing people to upgrade the machinery, to integrate computers and robots, to provide constant programming and reprogramming of these complicated machines. These are good jobs. These jobs pay $50,000 or $60,000 a year.

Even if you want to be an auto mechanic these days, you have to understand something about electronics, because what is happening is that under the hood is more and more electronics. It is not enough to have an understanding of the mechanical aspects of a car.

We see also in the sales and service area a greater and greater need for technicians who can assemble and service and upgrade and explain and provide to customers all of the technical service that customers need. These jobs don't require college educations but they do require some skills beyond high school.

If we get some control over our health care costs, we are going to see, although fewer jobs in the paper health care industry, fewer claims adjusters and data processors and people just simply dealing with paper, we are going to see that more people are needed

in the actual primary care areas—home health care, long-term health care. Again, some training is going to be necessary.

The point I want to make with you, Mr. Chairman, is that there are good jobs out there. I have seen them. They are not necessary that you have a college degree. But there is a mismatch between what those jobs require in terms of skills and what many people have or fail to have in terms of skills.

Senator METZENBAUM. I want to turn to my colleague, Senator Durenberger, in a minute, but as I look down the list of projected growth by occupation, 1992 to 2005, from the Bureau of Labor Statistics employment projections, I saw the first one, 786,000 sales persons/retail; then registered nurse—that is a higher-category kind of job; cashiers; general office clerks; truck drivers; waiters and waitresses; nursing aides; janitors and cleaners; food prep workers; and then you get down to a category of system analysts. So up to that point, you have about two that are more highly trained.

Then home health aides; teachers/special education—that takes some training; human service workers; computer engineers, but now we are getting down into the lower numbers; personal home care aides; medical assistance; paralegals; physical therapists and physical therapist assistants.

What seems to be totally absent from the list are the jobs for the professional people, for the engineers, the highly educated. Most of these jobs that I see here do not require much of an education.

Secretary REICH. Senator, actually, we have to be particularly careful about the occupational categories as they traditionally have been developed and analyzed, because in the sales and retail category, for example, which was your number one, jobs range from anywhere between $12,000 a year up to $50,000 or $60,000 a year. Some sales and retail jobs are very low-paying and very low-skilled, but some of the sales and retail jobs that require a great deal of technical experience and support, selling complex machinery, are much, much better jobs and they are actually very good-paying jobs.

You mentioned office clerks. Here, too, the office clerk is paid anywhere between $12,000 and $45,000. Some office clerks are actually doing fairly advanced administrative work and they have some skill under the belt.

I have even met truck drivers who have a modem and a fax right in the cab of their truck. They are timing deliveries for exactly when customers need those deliveries, and then they are helping business customers set up very complex machinery. They are categorized as truck drivers, but I assure you they are earning a lot of money and they are more like sales technicians and service technicians than they are truck drivers.

The old categories are not giving us a purely accurate picture of the new economy. I don't want to be a Pollyanna about it, because there are many people who are getting low-wage, low-skilled jobs. I simply want to say that with adequate skills and with the information about where there are jobs and what skills go with those jobs, the information of a sort that we are going to be providing, the Bureau of Labor Statistics is now developing, along with using

UI data and a lot of other sources, that enables people to move to better-paying jobs, higher skilled jobs.

Senator METZENBAUM. Senator Durenberger, I have some more questions, but I thought you might want to make an opening statement.

Senator DURENBERGER. I do, Mr. Chairman, and I appreciate the opportunity to do that. I think my staff has prepared a formal statement that I will put in the record.

[The prepared statement of Senator Durenberger follows:]

PREPARED STATEMENT OF SENATOR DURENBERGER

Mr. Chairman, I commend Secretary Reich and President Clinton for their leadership in bringing this issue to our attention.

According to the General Accounting Office, there are currently over 150 Federal job training programs administered by 14 different Federal departments and independent agencies costing nearly $25 billion. These programs do not function as a comprehensive, cohesive system, but often operate in isolation. This fragmented system is duplicative, ineffective, costly, and confusing to job-seekers and training providers alike. Conflicting eligibility and income requirements add to the barriers States face in providing assistance.

We need to reinvent the labyrinth of Federal programs that masquerades today as our Nation's reemployment and job training "system." The Reemployment Act is a significant first step down the long road to reform.

hope to build on my own strong record of collaboration with the Administration on education and job training issues—such as Student Loan Reform, Goals 2000, the School-To-Work and National Service bills, and the Elementary and Secondary Education Act—to help move fundamental job training reform legislation through Congress this year.

There are four main principles that will serve as my touchstones as this debate moves forward.

First, I believe there must be broader consolidation of existing programs than envisioned by the Administration's bill.

The Administration's bill proposes to consolidate only six of the largest programs—under the Department of Labor's jurisdiction—into a single comprehensive system of job services for permanently laid-off workers. This represents only 5 percent of the current job training programs and less than one-third of the federal expenditures on job training programs. This is a good start, but it does not go far enough.

Second more responsibility and accountability for job training should be transferred to the States and local communities. One of the largest problems our States and communities face in providing job training and assistance is the rigidity of Federal Government mandates that prevent them from consolidating funds and providing services better suited to their local populations.

Third, any new reemployment system should be coordinated with current welfare reform and student aid reform efforts. Federal welfare programs, student aid, and job training programs often serve the same disadvantaged adult population. Therefore, reform efforts

in all three of these areas should be coordinated to minimize problems for clients, States, and localities.

Flnally9 job training reform should be coordinated with income support reform proposals, like those contained in the Administration's bill. I believe that we have an obligation to provide income support to those people who are trying to enhance their job skills and employment opportunities.

In conclusion, I again want to emphasize my strong commitment to work with the Administration and my colleagues on this important reform initiative.

Senator DURENBERGER. I want to express in an off-of-the-top-of-my-head way my regret that I am not a cosponsor of the Secretary's bill. Maybe, Mr. Secretary, you can tell me what you told Senator Kassebaum when she said she couldn't be a sponsor of your bill also—about her particular approach and why you were doing just as well and how eventually you were going to get to her approach or whatever you told her.

Secretary REICH. No, I said she was going to get to my approach, Senator. [Laughter.]

Senator DURENBERGER. She is going to get to your approach. I appreciate that. Maybe you can tell me how you are going to get there.

As I told my staff when we were all debating about how I could be most helpful to you, in a position like I am—particularly, I am sensitive of the fact that I am also on the Finance Committee as well as on this committee, and what I kept saying to them that one of the things I have really enjoyed about the Secretary of Labor is that he thinks big. He is thinking in the larger context. He is thinking about people, but in the larger context of their lives, and then he can see through all of these programmatic approaches and these sort of things and see the humanity in it and see where we ought to be. So I have a natural instinct to be supportive of your efforts.

But I must say, one of the things that I am having difficulty with, looking at it from the standpoint of income security policy and the administration, is trying to put what is going on here in the context of welfare reform and some of these other issues.

Philosophically, I think I would approach all these issues by saying we should put as much of our resources against preventing the nonearning period in the lives of people who have the capacity to earn as we possibly can as a society. If I were going to start, where would I start? I would start with prevention, and I would work my way down to some other things.

All of my experience with prevention, I think at least lately, has been with the Defense Conversion Act, where you go to the Department of Labor and the Secretary will call you up and say, now you can announce that FMC is going to get a grant, and so you grandstand back home. Then, after that, you have to weave your way through all of the regulations in order to make it happen.

The nice things in my community have been where people can anticipate changes in their business, as you are talking about health care and so forth. And within a company, people are trying to anticipate this and begin the process of redirection.

Maybe you can help me, first, understand why this approach needs to be supported from the standpoint of somebody who is coming at this in terms of preventing people, and then second, as it relates to welfare reform and some of these other things, and then maybe third, the issue I raised first, which is why is your approach better than Senator Kassebaum's?

Secretary REICH. Senator, on the first point, this is a preventive program in the sense that it is based on the principle of early intervention and also on the principle that you want to get people as quickly as possible into the next job.

We see, and we know from study after study, pilot project after pilot project around the country, and I have seen, as I have traveled around the country looking for what works, and I have spent much of the last year actually trying to find what works, there are certain principles.

One principle is if you can get somebody job search assistance, good information about where there are jobs, good information about what skills are required for those jobs, what training is necessary, and feedback about who does the best training, you are 90 percent of the way there.

If you can make it easy for these job centers to create these resources for people by consolidating programs, by providing one-stop centers, you may be almost 100 percent of the way there.

Finally, if we can provide extended benefits and target extended benefits, not like last year where we had $14 billion of Federally-funded extended benefits, but target extended benefits to the people who are really needing it for completing their training to get that next job, if they need training, again, that brings you up fully to 100 percent.

That is what this program does. It parallels the welfare program. And as I said before, my hope and expectation is, and we haven't figured out exactly how, we haven't dotted every "I" and crossed every "T" in terms of the proposal we are going to send to Congress with regard to welfare, but I hope and expect that this one-stop career center is equally applicable and useful for anyone who needs the job, not just dislocated workers but also welfare recipients, because 70 percent of the people on welfare at any given time will be off welfare and into a job within 2 years right now. The trouble is that most of them then fall back into welfare.

Senator DURENBERGER. Is there something in this proposal that does integrate the comp payments with the training programs? As I recall, during that period last year or 2 years ago, there were a lot of people who were in training programs when their comp ran out.

Secretary REICH. Yes.

Senator DURENBERGER. And they still had whatever it was, 6 months, 9 months, something like that.

Secretary REICH. That is exactly what this proposal intends to do. You would be identified soon after you entered unemployment compensation as a worker who was unlikely to get your old job back again. There must be an initial assessment after about 5 weeks.

If you were likely to get your old job back again, if you really were one of those old workers on layoff, then you don't have to

worry. But if you are unlikely to get your old job back again, then you have to get into reemployment services. You have to be given an array of services, including training.

And if by week 16 you are in a training program, and again, you are not going to choose a training program that doesn't actually get you into a job, you, as a customer, you are going to be given a lot of information about what works and what doesn't work. But if you are in that training and you need additional income support, you ought to have it, up to an additional year beyond the 26 weeks of normal unemployment insurance.

That is particularly true of somebody who is coming off of a job where you have had at least 3 years on that former job. You really are in trouble, because you have been out of that job market for a long time. That is where you want to target. If you have had only 1 year with that former employer, then you should get at least 6 months, or you should get 6 months additional beyond the unemployment insurance.

We don't want people to fall onto welfare. We don't want people to wait around until they have exhausted, they have used up their unemployment insurance. The idea is to get people as fast as possible into the next job and give them whatever skills and whatever information they need.

Senator DURENBERGER. Can I ask you a definitional question that relates to one of the experiences I know that we had, and I mentioned FMC as an example. It seems like under the current situation you had to have your pink slip before you could get into the Federally-funded program. Why is that, if there is a way to anticipate that the pink slip is coming? Why do you have to wait?

Secretary REICH. If you can anticipate that the pink slip is coming, you can go into these one-stop career centers and you can start getting all of the reemployment services. You can also start, again, if a State is opting in to this more ambitious program, you can get everything you are entitled to in terms of training.

We also are going to set up a program whereby governors will, if there is a mass closing of a factory, will have to react very, very quickly with a SWAT team—and this has been very effective for closing military bases—react very quickly with a SWAT team, ensuring that people very, very soon after they get those pink slips, if there was no way of anticipating those pink slips, they get all of this array of services. We have found over this past year that that has worked very well.

Let me go back, finally, to your point. I have not had a chance to talk in detail to Senator Kassebaum; I have not seen her proposal.

But the principles here, number one, consolidating the dislocated worker programs; number two, one-stop shopping, making it customer friendly; number three, accountability with regard to information and performance standards and consumer reports; and number four, creating the possibility for consolidating and providing services from all other vocational training, Pell grants, everything else through these same centers; and I might add a number five, that is waiver provisions in this bill, just like in the School to Work bill, so that if States or localities want to do something more creative and want to pull together even more resources, they

ought to be able to do so, placing a priority on local and State flexibility—all of these principles are principles that, it seems to me, given structural change in the economy, are principles that both sides of the aisle ought to be able to get behind. This is not a partisan issue.

Senator DURENBERGER. All those programs that are over in the Department of Education could be pulled in here?

Secretary REICH. If a State adopts this one-stop career center, sure, you could get access to all of those education programs. Any program that is available to you ought to be accessible—will be accessible—through these one-stop career centers.

In other words, to State the matter slightly differently, and this is the point I made with Senator Kassebaum and I would make today, but I am sure she is at conference, the point is that there are three ways of consolidating and integrating, and we are using all three.

No. 1 is direct program consolidation, and we are taking every dislocated worker program and consolidating it.

No. 2 is integrating all of these programs, so that at the site where customers really need them, you can get access to every program the Federal Government provides, education and training, and that is that one-stop career center.

And then number three is providing waivers to States that want to do even more creative things and have even more flexibility.

To me, this is the best of all worlds, because it provides maximum flexibility to the States, it consolidates where things need to be consolidated, and it also provides to the customers access to everything that they could possibly access.

Senator DURENBERGER. After you have been integrating and wavering for a while, you might be able to consolidate everything. Would this be your theory? She wants to consolidate all of it now. You are saying, let us consolidate it——more gradually?

Secretary REICH. From the standpoint of the individual coming into a one-stop career center, the individual, it would all look like it were consolidated. The individual doesn't care whether one committee or another committee, what program item, what bill—from the individual's perspective, you want a counselor there who is going to help you and get you whatever you are entitled to get.

Senator DURENBERGER. Exactly.

Secretary REICH. So from the individual's perspective, integration at the site or consolidation here through bills doesn't make any difference. Again, waivers, integration, consolidation, we would give extra support, extra income, extra money to States which also folded the welfare jobs program into these one-stop career centers, so that you could use them even if you were a welfare recipient. Now that goes far beyond, when I talked to Senator Kassebaum, that went far beyond what she was thinking about.

Senator DURENBERGER. The chairman has been very generous to let me ask these questions. This will be the last one. I just want to make sure I understand this.

A bunch of folks, including Congressman Tony Hall—who, by the way, is going to go on a fast next week, for those of you who know him, for only 3 days and he wants you to join him for at least one meal or 1 day—but anyway, Tony and a large group of other people

have created something here in the District of Columbia called "People's House".

They have gone out and they have found out where all the programs, government, private, and everything are in this community, and they have this huge volume of information in a computerized system downtown so that people can call a number and there are people there who can, even though they don't work for any one of these programs, these people can refer a person, like you are talking about, in need, to any one of 1900 different agencies or resources or whatever.

Secretary REICH. That is what we are talking about here.

Senator DURENBERGER. This is what it sounds like.

Secretary REICH. Yes, what we are talking about here, Senator. Obviously, from the standpoint of the individual, they shouldn't have to worry about which category they fit in. From the standpoint of government funding, we cannot treat the disabled as the same as dislocated as the same as a 14-year-old as the same as a 65-year-old.

People have different needs. We want to make sure the money gets to them, but we want to make sure it gets to them, the funding and the information and the services get to them as efficiently as possible. That is why this kind of a one-stop center seems, to us, to make the most sense.

I want to underscore that this should not, and I hope will not, be a partisan issue. Everybody here in this body and in the other body has an interest in helping Americans get to new jobs as fast as possible and get the skills they need so that those new jobs are good jobs.

Senator DURENBERGER. Thank you.

Senator METZENBAUM. Thank you, Senator Durenberger.

Secretary Reich, one of the more controversial aspects of the administration's bill is that provision permitting private entities to compete with the employment service to serve as career and one-stop centers.

Are you aware of any examples where this has worked previously?

Secretary REICH. Senator, community colleges, community-based organizations, and others have offered various services to unemployed people. Community colleges for years, for example, have offered training services. They have sometimes offered counseling services, occasionally job search assistance services. So there have been numerous instances in which community colleges, community-based organizations, and others have, in effect, competed with.

Now competition sounds like it is a zero-sum game, in which one institution gains only at the expense of another. We are dealing with a very large universe here, a universe of people who need help. The employment service has an opportunity of gaining resources, but community colleges, community-based organizations, other groups also have an opportunity to gain resources if they do the job well.

So the States don't have to embark upon a competition model, but we want to give the States the opportunity to embark upon a competition model as well as a model in which everything is simply integrated in one place.

I have talked with people from the employment service about this. Some of them are a little bit nervous. Those who are doing a great job, those employment service offices are very enthusiastic, because they say, boy, this is great. We are going to get a lot more resources. We can do an even better job than we did before.

Senator METZENBAUM. I am concerned that if we dismantle the existing public programs and private programs fail, that we may not have the resources or the public support to recreate the public programs. What is the administration's rationale for turning traditionally public programs over to for-profit entities?

Secretary REICH. There is no turning over, and also, there is not an abandonment of public programs here. What we are doing, particularly with the one-stop career centers, we are giving States the option—the option—of enlarging the number of institutions and outlets for all kinds of services, these one-stop career services.

Again, it makes no sense to insist that one failing piece of bureaucracy, if, in fact, it is failing, go on providing the same failing services as before.

If you have an employment service office that is doing a great job, that employment service office, as I said before, is going to get more resources. It is going to have a greater degree of responsibility than before.

The beauty of this proposal is that it takes the best of what the public sector is offering, it takes the strongest public sector institutions, it enables them to become even stronger, and it also, if the State opts into that kind of system—again, the State doesn't have to opt into a more competitive model—it at least creates the opportunity for States to allow other entities, which have already done a great job, to be involved.

You know, community colleges, Senator, are, as I am sure you know, because Ohio has some of the great community colleges, the great unsung heroes of helping Americans into new jobs. They ought to be given the opportunity, like community-based organizations, of taking on part of this responsibility.

Senator METZENBAUM. But Mr. Secretary, I am not concerned about the community colleges because I do agree that they do a good job and we do have some excellent ones in Ohio.

What is concerning me is when you get into the private sector, which in distinction to the community colleges, which is really a part of the public sector, I am concerned as to how the private entities will be paid under the administration's proposal, how much profit will they be allowed to make, and will we suddenly have sort of a private employment agency operation going on under Federal Government auspices.

Secretary REICH. No, there would not be a private employment agency under the Federal auspices.

What we are faced with here is an ever-enlarging market for these kinds of services. Two-point-two million people estimated this year who are going to lose their jobs, an estimated 1.3 million of which could profit by and need employment services. About one-third of them, 400,000 need and could profit from training services.

What we are saying, in effect, to all parties, whether they provide training for profit or not for profit, whether they provide other services for profit or not for profit—and by the way, right now,

there are a lot of for-profit training entities out there—we are saying, you have to be more accountable. If you are providing training, if you are providing other services, you have to provide consumer reports. You have to show what your record is in job placement and helping people get good jobs.

Senator, right now, there is no strict accountability. There is, certainly, accountability with regard to certain performance standards, but there is no feedback mechanism to the actual customer. The actual customer who gets some particular training doesn't know, first, whether the training is linked to a job, nor second, whether that trainer has had a good record, because we don't require those people who are providing these services to give any feedback on what they have done before.

That is the present system. That is what we are doing right now. What we are proposing is a new system in which everybody, every public and private entity that is now involved in this patchwork has got to be more accountable to the real customer of those services.

Senator METZENBAUM. I have a few more questions on the WARN Act and some other subjects, but Senator Dodd has returned and I will yield to him.

Senator DODD. Thank you, Mr. Chairman.

Let me apologize first to you, Mr. Secretary, for being out of the room for the oral presentation of your testimony. However, I have had a chance to read it.

I am a cosponsor of the Reemployment Act. I think that what you are trying to do is on the right track, and it hardly needs stating. I think anybody who has anything to do with this over the years appreciates the fact that there are a tremendous number of good ideas out there that are wandering around, and trying to bring them together into some comprehensive, coherent way makes all the sense in the world.

So I commend you and the President for this effort. I think it is certainly a good first step.

I want to particularly thank you for incorporating the one-stop center concept into the legislation, including the one in Hamden, CT, I know you are familiar with as a result of your visit to the State. The center happens to be working very well, I am told, as I gather you are aware as well. I am pleased that you were able to pay a visit there a year or so ago.

I just want to say something to you that I know you have heard me say and I know you are aware of. In Connecticut, we have literally lost thousands of jobs—not hundreds, but thousands—in the last number of months. These are jobs that just are not going to come back. We can talk about it all we want, but they are not coming back.

There has been a significant downsizing, literally in the 250,000 range in the last 36 to 48 months in a tiny State. A lot of it is due to the recession, the credit crunch, the change in the whole geopolitical situation in the globe, and obviously the substantial downsizing in the defense budgets. Although the downsizing is necessary, it creates a lot of dislocation.

In the latest round of layoffs, we are affecting workers in their 40's and 50's. The first round went to the people in their 20's and

early 30's the more recent hires. Now you are reaching up into a category where the future job prospects for that crowd gets very thin, to put it mildly.

I am very supportive of what you are trying to do here and believe it is on the right track. However, there is a sense of frustration that I sense when I go back home and talk about the Federal efforts in job training. Their reaction has gone from a sort of curiosity and interest in the proposal to the point now where people are almost getting angry with me when I bring up job training.

Their point is, I need a job, Senator. You can go through all the training programs in the world, but at the end of the day, if we are not creating jobs in this country, if you are not coming up with better ideas on how to produce jobs, then all the job training in the world just isn't going to do me any good. They are getting angry, very, very angry about their prospects and future.

I know that you know the importance of job creation. In fact, you have been preaching about it and talking about it for years, long before your tenure as Secretary of Labor. You and I have had some good discussions about that.

In the past administration, we saw this lip service to job creation at the expense of job training. My only worry here is, that we not let the pendulum swing to the job training side of the equation at the expense of job creation effects. I think it is important that people have adequate skill levels as we try to attract and create new employment opportunities.

My hope is we will strike the balance, and I am just using your presence here today in this forum and this committee hearing, which I thank the chairman for doing, to emphasize that particular point. Obviously, we must develop partnerships between the private and public sectors wherever possible, but, I believe the best jobs are in the private sector.

I know you care about this, I know you believe in this, and I have a strong feeling that we have to both create jobs and enhance skills. I want to be able to go back to that person in Connecticut and say, "listen, it is not only the job training issue. I want you to know that we are deeply committed to creating job opportunities for you as well."

I thank you for listening to my comments.

Secretary REICH. Senator, here is what I would say, and I have said to people in Connecticut and elsewhere. It certainly is not going to be a fully-satisfying answer for somebody who is right now without a job and right now doesn't seem to be able to find one.

But the fact of the matter is that the great American jobs machine has started up again. We are back on the road with regard to creating jobs, but there is a profound mismatch between what the jobs require and where people are in terms of their skills, their abilities.

The administration is putting forth a 1995 budget that has substantial increases for technology, for infrastructure, for projects that directly create jobs, for military conversion, dual-use technologies.

If we keep interest rates down, we are also going to be seeing a continued boom in consumer durables and houses and automobiles. The automobile industry is now beginning to hire again, but they

are hiring people who have more specialized skills, higher skills. They are not hiring the relatively unskilled.

We are trying to open markets. We are trying to pry Japan's market open. We are doing GATT. We are trying to open up and make sure that Europe and Asia are open to American products. But those export jobs pay 17 to 22 percent better than jobs here. You have to be ready for those export jobs. You have to be capable of learning to learn.

That is why you have to look at both sides of the equation, but that is why I keep on coming back to skills.

I was struck yesterday—we had the end of the G-7 jobs conferenced, and Lloyd Bentsen and Laura Tyson and Ron Brown and I stood there in front of the reporters and the question was, what was the theme? What was the most important issue that came through to you? I didn't have to say a word.

The Secretary of the Treasury, the first thing he said, skills. The Chair of the Council of Economic Advisers, training and skills. The Secretary of Commerce, skills. You saw it in today's coverage. That was the issue again and again that came through to us as the advanced economies all become more technologically sophisticated.

Now again, I want to stress, this is not going to be a satisfying answer to the particular individual in Connecticut who is without a job and says to you, Senator, yes, that is all good, that is great talk, but what am I going to do tomorrow? I have used up my unemployment benefits. I wish I had a job I could hand that person.

But this, plus the School to Work program and the Goals 2000 and the skills standards and a lot of other things we are trying to do, this is going to get us back on the track of matching American skills to American jobs, and good jobs.

Senator DODD. I appreciate. As I said, I know the effort is there, and you have properly identified that frustration that is out there. I realize we are lagging behind. Other parts of the country are doing better. We are not alone. I think your former State of Massachusetts is also feeling it, I think a bit better than we are, but still the brunt of it. Maybe it is unique to New England in that sense.

Secretary REICH. It is not. Senator, it is all across the country. The New York Times ran a poll recently and asked, how secure are you in your job? Forty percent of Americans said that they worried that within the next 2 years, they are going to lose their job. You see, even those who have their job are now feeling a much, much greater degree of insecurity than ever before.

Senator DODD. You can't pick up a paper at home. You can't pick up a paper at home.

It is interesting, I just met with some kids from Close-Up, which is one of these terrific programs that brings a wonderful cross section of high school students to Washington. I met with 100 of them from across the State of Connecticut, over in the Capitol.

I asked them, how many of you hear about Whitewater at home? Not a hand. How many of you talked about health care at home? Seventy-five hands went up. How many talked about jobs? A hundred hands went up. How many talked about crime? A hundred hands went up.

It is on their minds, jobs, health care, and so forth. These are middle class kids, by and large, and I think it is intriguing that

that is the subject matter they care about. If it is not their mom or their dad who has lost a job, it is the next-door neighbor, it is the cousin, it is an older brother. It isn't just a story in the newspaper—they know somebody in that position, too. So there is a great fear out there, a tremendous fear.

I appreciate your response, and I know you care immensely about it.

Mr. Chairman, I thank you for holding this hearing.

Senator METZENBAUM. Thank you, Senator Dodd. We are very pleased you are with us.

I have a couple more questions, Mr. Secretary. There seems to be general agreement, supported by a host of studies, that early intervention is a critical component of a successful dislocated worker program. Participation rates are substantially higher, more workers get jobs sooner, and unemployment compensation claims are lower.

What is the administration's view on the role of early intervention?

Secretary REICH. There are two major proposals inside this piece of legislation for early intervention. One has to do with the early identification of people who are not likely to get their jobs back after they report for unemployment insurance. That has shown to be very, very effective where it has been tried around the country in getting people into new jobs quickly.

The second is to build on the legislation which you championed, I believe, the WARN Act, and help ensure that companies which are facing downsizing, companies which are facing layoffs know, first of all, of their WARN Act responsibilities, governors provide them the information of their WARN Act responsibilities, and second, that there are, in effect, SWAT teams. As I said before, this has worked very well with military base closings, so that as soon as there is any information about a pending closure, there is right on-site the capacity to provide this whole array of services, this one-stop shopping array of services, to people who are right there.

Senator METZENBAUM. As you know, early intervention isn't possible unless the workers in a local community have some advance notice. That is why we enacted the WARN Act in the first place. The WARN Act has helped, but I am frank to say that employers are now about twice as likely to give workers advice notice as they were before WARN was enacted. But even with that progress, there are substantial problems with the WARN Act in terms of coverage, compliance, and enforcement.

There is a chart that shows that 52 percent of all the employees questioned, they were exempt from WARN. Then another 32 percent failed to provide 60 days' notice. So there were only 16 percent of those who were terminated in that manner who received adequate notice.

The majority of the employers have really failed to meet their responsibility as indicated by the blue part, so that the 16 percent is really quite insignificant.

Fixing these problems, as I see it, is a critical part of our effort to help workers minimize the adverse impact of the loss of their jobs, and frankly, I think it is a question of fairness and dignity.

BOSTON PUBLIC LIBRARY
3 9999 05982 572 7

Are the administration and you committed to working with me and us to see to it if we can address some of these problems in a legislative proposal?

Secretary REICH. Yes, Senator. In fact, I believe and the administration believes that workers need to get as much notice as is possible with regard to plant closings, and that is precisely why in the bill we have provisions for not only SWAT teams after notice has been provided and after workers have got the pink slips, but also a very widespread, large-scale program of information to employers about their responsibilities under the WARN Act.

I would be very interested in exploring with you and other members of the committee what else could be done or should be done. I would also like to hear, and I have not heard and I would like to hear, from members of the business community as to why they find this objectionable, if they would find any of it objectionable.

Senator METZENBAUM. We will go with a new proposal on this subject, and I know Congressman Bill Ford in the House will do the same thing. Senator Kennedy is very supportive over on this side. We would like to get the administration to work with us. We want to pass this, because I think the intention of the original WARN Act was right, but the implementation of it has not worked out as well, and there is tremendous disregard by many employers. Two-thirds of the employers who are covered are just not informing, so I think we have to do something.

Now going back to the administration's bill, the bill permits the Secretary of Labor to control 25 percent of appropriated funds and permits governors to control 30 percent of the remaining 75 percent. That leaves a little more than half of the money for local entities.

Frankly, it has been a longstanding concern that not enough program moneys actually get spent on the people who need the services. Shouldn't we require that a specific amount, such as 75 percent, actually be spent on job training at the local level?

Secretary REICH. I am happy to work with you on those specific allocations, Senator and other members of the committee. Our sense, again looking at the experience of what works in various States and the best leading-edge programs, is that you want to give some degree of flexibility, you want to give some latitude to the States.

Certainly, you don't want this money to be spent on administrative costs, and I don't think you were hinting that that is where the 30 percent went. You want as much spent as possible on a whole array of services, not only training but also job search assistance and job counseling and early intervention, job assessment.

THe evidence shows that for many people, the job search assistance and the information system, good information about where there are jobs, what skills are required and what training can get those skills, that information and that job search assistance is as valuable, if not more valuable, than training. So we want to provide an array of services.

But obviously, there is a question of exactly how the money is allocated and how that discretion is provided, and we would be happy to work with you and other members of the committee.

Senator METZENBAUM. As I see it, the 30 percent allocated to the governors very likely will wind up in a lot of administrative overhead, and I think that same 30 percent would be better directly allocated to the local entities, the local communities, and that they spend the money on the job rather than elsewhere. I don't know what the governors do with their 30 percent.

Secretary REICH. I can tell you where some of that 30 percent goes. For example, the legislation holds that some of that 30 percent has got to go to the kind of SWAT teams that we talked about a moment ago, that is, helping people who, in mass layoffs, suddenly find themselves without a job, getting them the information and services they need right away.

The governors also would have some discretion in making sure that there were the one-stop career centers, that there were facilities and that there were opportunities to set up one-stop career centers and allocate funds around the State to where there were highest areas of unemployment.

But there was no intention—in fact, I would be quite opposed—to any suggestion that there ought to be high administrative costs associated with this. Quite the reverse. We are going to have very strict performance requirements, as you see in the bill, with regard to how that money is used to help people get new jobs.

Senator METZENBAUM. Thank you very much, Mr. Secretary. We look forward to working with you, as we have for the past many months. I think we are on the right track and will be working together very well.

Secretary REICH. Thank you. If I could just say one more thing, Senator. It was just whispered in my ear the figure that I was searching for in my brain, and that is that there is a cap. Fifteen percent is the cap for administrative costs in that bill. Again, that may be too high, that may be too low, but we are going to be——

Senator METZENBAUM. That is too high. If it is 15 out of 30, that is half.

Secretary REICH. No, 15 of 30. It is 15 percent of that 30.

Senator METZENBAUM. Oh, 15 percent of the 30. I see.

Secretary REICH. That is for the administrative costs. But again, with regard to whether that 15 percent of the 30 percent is more or less appropriate, we are happy to talk about it.

Senator METZENBAUM. Thank you.

Secretary REICH. I think the most important thing is that we get this thing going, and I want to thank you for all your help.

Senator METZENBAUM. Thank you very much. I appreciate it.

The hearing is adjourned.

[Whereupon, at 3:43 p.m., the committee adjourned.]

○

ISBN 0-16-044272-9